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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2259



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TU LEADER CRITICAL OF SLOVAK WORK PRODUCTIVITY

Bratislava PRACA in Slovak 8 Mar 82 pp 1, 2

[Speech by K. Hoffmann, chairman of the Central Council of Trade Unions [URO], at the Slovak Trade Union Congress]

[Text] It is my pleasure to participate with the delegation of the URO in your congress for the third time, I want to pass on to you, and through you to all the officials and members of the ROH [Revolutionary Trade Union Movement] in the SSR, comradely greetings from our delegation and the entire URO. We convey to you our thanks for the great efforts developed by the Slovak Republic's ROH over the past years, for your active contribution to implementation of the resolutions of the Ninth All-Trade Union congress.

Five years of ROH activities in the SSR and in the whole CSSR met with good results. They are specifically mentioned in the report of the SOR [Slovak Trade Union Council] presented by Comrade Abraham and in the statistical account of activities.

I am glad that the good work of Slovak trade unionists was acknowledged by last year's CPSL congress and that it received positive assessment also in the presentation by the head of the delegations from the central committees of the CPCZ, CPSL, NF [National Front] SSR, and from the SSR Government, Comrade Jozef Lenart.

The success of ROH activities is borne out also by the results of annual membership meetings and conferences of basic organizations, as well as by all-trade union and union conferences, and the current progress of your congress.

The mentioned ROH achievements make it evident that today's large trade union membership is more experienced, more capable and more highly qualified, that it has been hard at work throughout the entire period, and that members actively participated in carrying out the tasks of our great organization. Also the trade unionists in the SSR were cognizant of their extraordinary responsibility that cannot be delegated to anybody else in implementation of CPCZ policy, in developing an advanced socialist society, in defending the interests of the workers class and of the working public. That is why you are achieving positive results in many respects, in many indicators of trade union activities and in everyday intraunion life.

Toward Exacting Standards

In keeping with the SOR report, your discussion and the address by Comrade Lenart, we must also state at the same time that we are far from being able to feel complacent about everything, that we did not attain all the goals that we staked out for ourselves, that we are struggling with a great many shortcomings and unsolved problems, that there are many things to ponder, things to pay attention to and things to improve. This applies to the basic directions of our multifaceted activities, to the development of all functions of socialist trade unions in the CSSR.

Thus, it is quite right that the SOR report emphasized the inevitability of focusing our attention on everything that slows down the rate of development and saps the effectiveness of trade union activities. In the name of the URO, welcome this critical and self-critical stance expressed in the report and corroborated in the discussion, because it is of significance to the ROH as a whole, because the results achieved by the more than 3-million-member ROH organization in Slovakia affect to a considerable degree the overall level and results attained by Czechoslovak trade unions.

Just as the SOR report did, it is my duty to point out that--in spite of an overall satisfactory scope of activities--in a number of indicators of trade union activity, the results achieved in the SSR lag behind those attained in the CSR and reduce the nationwide level. This applies primarily to those indicators that become directly reflected in implementing the tasks of the plan for the national economy, in scientific and technical development, in continued improvement of the productivity of labor and efficiency of production. This applies, e.g., to substantially lower results attained in promotion of expeditor teams, of the innovators movement, etc.

Added gravity is lent to this problem by the fact that with overall more modern and better fixed production assets and a higher share of personnel with college and full secondary school education, the social productivity of labor and the generated national income per worker in the SSR still remains considerably lower than in the CSR. Also, the effectiveness of long-term assets in the production sphere is decreasing at a faster rate in Slovakia than in the CSR.

The ways to cope with these and other problems of the economy and what can be done by the trade unions were aptly described by Comrade Lenart.

We are convinced that trade union organs and organizations, and all trade union officials in the SSR will take a thorough and rather specific look at the results of their efforts, analyze the reasons for success and failure in individual directions and draw differentiated conclusions corresponding to the situation in individual territorial or union organizations. We expect that the same approach will also be adopted by plant and enterprise committees.

But critical analysis will also have to be applied to results that are exemplary and, according to statistics, better than the national average and determine whether they are commensurate to our possibilities as well as the current needs in the development of the national economy and of the whole society.

Great attention should also be paid to analyzing the level and results of production consultations, the share of improvement suggestions that failed to be implemented or utilized, the decreasing number and percentage of ZV [factory committees], of those who take a position in making proposals for the plan, slow rate of implementation of implementation counterplans, the level of collective bargaining contracts, planned activities of many ZO [plant organization], development in overtime work, activity of members at trade union meetings and other problems pointed out in the SOR report.

I would also like to point out at your congress that when we talk of discussing the plan for the national economy, of collective bargaining agreements, of production consultations, etc., it has nothing to do with our being interested in percentages, in figures, but primarily and mainly in having problems relating to the plan, tasks, working conditions, solution of key problems dealt with by work teams, so that the widest possible circles of personnel become well acquainted with the tasks ahead of them and the conditions under which they will have to meet them, in order for everyone to contribute with his experience, his opinion, add his share and get actively involved in overcoming obstacles. That is the heart of the matter, that is our mission and objective, that is the integral part of the economic function of trade unions and promotion of participation of workers in management. Attainment of such a state will decisively and positively affect the ultimate results, assure fulfillment of the plan and become manifested in improving the labor conditions and the entire life of all workers and the rest of the working public.

Emphasis on Economy

Let us cite just one example of the considerable unused resources in the Czechoslovak economy and in our own activities. Most ROH members realize of what great importance to further development of the economy and of the standard of living in Czechoslovakia is economy in the use of fuels and energy, optimization of their consumption and the efficiency level of their utilization. Those who follow world events could not fail to notice that even the economically strongest countries endowed with rich mineral resources put an extraordinary emphasis on economizing and a drive toward efficiency. This applies with a much higher urgency to the CSSR, a country which must rely on importing most of its raw materials and fuels. And in spite of it all, there still exist numerous examples of unbelievably voluminous, superfluous wasting of fuels and energy.

This goes to show that in a considerable number of plants and enterprises there still persists a failure to comprehend the inevitability of better management. That is borne out, among other things, by the results of inspections conducted by the State Energy Inspectorate. Inspections carried out in the fourth quarter of 1981 in 330 organizations revealed shortages in more than 20 percent of these organizations. At the same time, it involves easily preventable losses of energy that represent quite a percent of the overall annual energy consumption in these plants and enterprises. The detected and preventable losses in some of the inspected organizations represent 10-15 and more percent of the total annual consumption of fuels and

energy. Inspections also revealed that there are bulk consumers committing breaches of discipline by systematically exceeding the plan of electric energy consumption even at peak loads and must be penalized (some of them even 6 times a year), that control of fuel and energy consumption in many plants and enterprises is at a very low and unsatisfactory level and others fail to meet even the plan of economic measures for savings of fuel and energy which only partially makes use of existing unused resources. It seems unbelievable, but it is a fact that some organizations even had to be fined for wasterul economy several times and others have failed to this day to eliminate shortcomings detected during inspection as far back as 1979.

What can be added to all this? First of all, that it is also our concern and our fault that the State Energy Inspectorate must point out such glaring examples of poor economy and waste which are daily passed unnoticed by ROH officials and members as well as leading managerial personnel. At all places of work there are trade union organizations, membership meetings are held, as are trade union meetings and production consultations. We must ask, therefore, how come these so obvious shortcomings and transgressions against economy are not detected and dealt with directly in the organizations concerned, when their detection calls for neither specialists, nor special inspections, but can be handled by work teams themselves? How come their elimination is not incorporated into collective bargaining agreements and plans of ZO activities, when it is specifically these tasks that belong in the production economy part of this program documentation. This provides a somber clue for all officials, for plant committees and higher trade union organs for more responsible and more specific dealing with this extraordinarily important task as well as with the lack and problem of effectiveness of trade union activities.

Making Use of Creative Potential

It is imperative that we take a look around each workplace, take stock of all the causes of needless energy and other losses and come to an agreement for their immediate elimination. And make use of the ideas and experience of the collective intelligence of work teams and of the tremendous creative potential of innovators, expeditor teams, pioneers of socialist labor, technicians. This example also shows how necessary it is to provide in the SSR for an accelerated development of expeditor teams, of the innovators movement and their orientation on basic problems.

Improved economy in the use of fuels and energy is a task that each sector, each organization and component of the ROH must consider to be its own. That will enable us not only to meet the plan for savings of fuels and energy, but to substantially exceed it and thus contribute to lessening the tension in the fuel and energy balance.

Such and similar possibilities for achieving savings of energy and materials, as well as other approaches to cutting down costs and improving the efficiency of production and of all our activities are numerous. For that reason, we consider it eminently appropriate that the SOR report reminds us of the requirement to more effectively develop ROH activities in the economic sphere.

It has already been mentioned that the conditions under which we operate are incomparably more complex and the tasks significantly more demanding than they have ever been. This leads us to the conclusion that the greater the tasks, the more complicated the situation, the more difficult the problems, the higher demands we must place on our own trade union work, the higher must be the quality level of all our efforts. That was the reason why at the end of 1980 we adopted measures for further improvements in ROH activities, the key objectives of the latter being to keep pace with the development of society, with the demands of CPCZ policy and the needs of the working public. Experience shows that the ROH is capable of handling even the most taxing tasks. We found out many times that the potential for our organization's activities is unlimited. And that is why we should make better use of them right now than has been the case before.

As we vehemently emphasize the necessity for increasing the trade union's share in carrying out economic tasks, we are not forgetting even for a second that it forms a part of economic and social development, that it is the decisive prerequisite for improving and further increasing the standard of living, deepening of all-round care for the working public.

As your deliberations show, trade unionists in the SSR clearly realize how many shortcomings, how many weak points we have in this respect, too. But in many cases they are shortcomings that never should have been allowed to develop. Experience leads us to the conclusion that wherever these problems are seriously dealt with, wherever there is a will for their systematic solution, redress will be successful. Therefore, hand in hand with developing the economic function of trade unions we must improve care for the workers, take care of our members, their rights, needs and interests.

Solidarity of Trade Unionists

I consider it my duty to comment on the recent 10th World Congress of Trade Unions. I would like to inform you first of all that during the congress, during meetings with delegations and guests, our partners on many occasions showed high appreciation of the activities and the role of the ROH, conveying their thanks for our solidarity, assistance and help. We were requested many a time to convey their greetings to Czechoslovak trade unionists after our return home. I am availing myself of this occasion to convey to you, participants in the Slovak ROH congress, to the many officials and all members--more than 2 million of SSR workers--the militant, comradely greetings from representatives of trade unions in the USSR and other socialist countries, as well as from delegations from revolutionary and progressive trade union organizations in capitalist and developing countries.

The 10th World Congress was a truly significant gathering of trade unionists from our entire planet. It was the most representative meeting of delegates of trade union organizations of all persuasions in the history of the world trade union movement, at which all could present their opinions, suggestions and proposals. The deliberations were participated in by representatives of the major part of the world's workers organized in trade unions. I can inform you at the same time that the ROH delegation accomplished its mission and played a very active part in the congress.

The 10th World Congress confirmed that in spite of all obstacles, the concept of dialogue, cooperation and joint effort is making headway and is receiving increasingly wider support. As was pointed out in an interview for PRACE by the secretary general of the WFTU, Comrade Zakaria, the congress was characterized by a constructive atmosphere, spirit of understanding, cooperation, a desire for unity and concerted actions as well as a spirit of determined struggle for basic class and human needs, for peace and security.

We are convinced that this spirit of Havana will spread and enhance all future activities of the international trade union movement.

We have already informed our workers that this congress dealt with all key problems of the present. Its entire course emphasized the inevitability of a common struggle for peace, for disarmament and relieving tension. It confirmed the fact that trade unionists in the whole world clearly realize that maintenance of peace is the prime vital interest of workers, that only the struggle for peace points the way into the future, that the greatest perils to world peace are armament monopolies, capitalist countries and primarily the Reagan administration, that the key champion of peace is the Soviet Union and other countries of the socialist community. This was also reflected in the stormy applause in the congress hall during reading of the message sent to the congress by L. I. Brezhnev.

The congress put great emphasis on increasing and supporting the struggle against capitalistic exploitation, against inflation and unemployment, against colonialism and neocolonialism, against fascism and racism in all their forms.

The 10th Congress was the world's trade union parliament of solidarity with the workers, with working people who still must wage a struggle for national and social liberation, for work, for social and life security, or defend their revolutionary accomplishments and results of free constructive work.

The congress also loudly proclaimed the voice of solidarity with the workers of the Polish People's Republic. The URO delegation also proclaimed at the congress--and, as I can see from the progress of these deliberations, with your consent--that trade unionists of the Polish People's Republic who are devoted to socialism do and always will have the full support of Czechoslovak trade unionists.

The fact that the congress took place in Cuba, a country of heroic people who in the immediate neighborhood of the USA are building socialism and bravely resist all attacks of American imperialism, afforded all participants a chance to familiarize themselves with the results attained by Cuban workers under the leadership of the Communist Party of Cuba with active participation by Cuban trade unions and express their solidarity for their struggle. The impressions from the Havana congress were buttressed through an address by Comrade Castro, who with a multitude of data and facts literally unmasked the hypocritical, antipeople, reactionary policy of the USA, oriented against class, social and national interests of workers all over the world.

An important result of the congress was adoption of a worldwide program for the WFTU and trade unions, the important document Trade Unions and the

Problems of the Eighties, an updated Charter of Social Security and a great many other significant resolutions.

The 10th World Congress will become noted in the history of the international trade union movement by the fact that it clearly formulated the key goals of the world's trade union movement in this decade, that it again convincingly pointed out the inseparable nature of the struggle of all workers of all countries for basic class interests, for social progress, for democracy, for socialism and peace, that it contributed to creating the prerequisites for continued development of cooperation and unity of action, that it will lead to reinforcing the authority and prestige of the WFTU in the international trade union workers' movement of all countries for basic class interests, social progress, democracy, socialism and peace, that it contributed toward creating the prerequisites for further development of cooperation and unity of action, that it will lead to reinforcing the authority and prestige of the WFTU in the international trade union workers movement.

The progress of your congress bears out the justification of the words spoken by our delegation at the world congress, i.e., that the same amount of responsibility with which the Czechoslovak trade union movement fulfills its tasks at home will be devoted to its obligations deriving from the principles of socialist internationalism and international solidarity of workers, as well as to the tasks relevant to implementation of the resolutions of the 10th World Trade Union Congress, and that the international revolutionary and progressive movement can rely on CSSR trade unionists in the future as well.

Focus on Quality of Work

In the years since our liberation, in the process of participation in building of socialism, the ROH has become a large and democratic organization which is characterized by the unity of its ranks, a polarized class and political character, multifaceted, rich activities and an effort to keep upgrading its service to the workers class and to the working public. It is the result of persistent, goal-oriented effort participated in to a considerable extent also by the SSR trade union organization. You, too, deserve credit for our being able to submit to the 10th All-Union Congress a favorable balance of ROH activities, a report on our successful implementation of the resolutions of the Ninth Trade Union Congress.

Resolutions of the 16th CPCZ congress enable us to face the delegates of the 10th All-Union Congress with a clear program of continued trade union activities and ideas for their further improvement and development.

The thematic preparation for the congress, the program for the next five-year period, must not distract our attention even for a second from what is on the agenda every single day, every single hour--the struggle for meeting the plan, for economy, for quality of work and production, for elimination of negative phenomena which make peoples lives more miserable. Simply put, from tasks that we have been dealing so earnestly ever since the Seventh Plenum of the URO and other occasions and which are of permanent validity. We have achieved a lot, and our experience of many years shows us that we could accomplish substantially more. Thus, we should exert all our efforts to prove that we

are capable of contributing even more effectively to meeting objectives as well as to eliminating unnecessary shortcomings. We discussed these matters quite specifically at the 12th and at the last, 16th, plenum of the URO.

We are convinced that you will develop trade union activity to its fullest, that you will make use of all experience, elan and talents of the numerous trade union membership in the SSR and the extensive experience of trade union organs and organizations in the CSR to achieve even more impressive results in the interest of the people. We should expand, deepen and be more creative in studying the experiences of fraternal trade union organizations--in the USSR and in other socialist countries. A great opportunity for this is offered by the upcoming congress of trade unions in the USSR and other congresses. We must keep returning to Lenin's theoretical works regarding the nature, mission, position and role of trade unions under socialism. I recommend that we also reread and contemplate what L. I. Brezhnev had to say about socialist trade unions in his message to the 10th World Trade Union Congress.

Comrades, in conclusion I would like to thank you once more for all you and the whole ROH organization in the SST have done on behalf of the working people, for implementation of party policies and the resolutions of the Ninth All-Trade Union Congress, for building of socialism.

Your congress affirmed that the ROH delegation from the SSR can inform the 10th All-Trade Union Congress that the ROH organization in the SSR has developed active and fruitful efforts. The tasks ahead of us after the 10th All-Trade Union Congress will not be easy, but--as can be seen from the past period and as is shown by the progress of this congress--you have all the prerequisites and sufficient strength and determination to meet them with full success.

Comrades, our best wishes go to the newly elected organs, to all of you, the entire trade union organization in the SSR for meeting with many successes in your continued efforts.

Let us jointly do everything we can for good preparation for the 10th All-Trade Union Congress and implementation of its resolutions for fulfilling the program of the 16th CPCZ congress.

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ENTERPRISE MANAGER FIRED FOR ACTING LIKE CAPITALIST

Bratislava PRAVDA in Slovak 20 Feb 82 p 3

[Article by Jaroslav Kopal, CPSL Central Control and Audit Commission official, and Vojtech Vesely, editor of PRAVDA: "The Fall of a 'Pashalik'; About One Director Who Thought: The Enterprise, That's Me!"]

[Text] It is a foggy day in February 1979. The famous Limbach wine bar near Pezinek is busy. There are rows of cars in the parking lot, buses and gleaming 613's are not missing, either. All rooms are full. The personnel are on their feet. Festive tables are set for 130 guests. There are ceremonial speeches and toasts with the appropriate ceremonial applause in between.

Pavol Cech, director of the Chovprodukt enterprise, the commercial organization of the Slovak Association of Small-Animal Breeders (SZD) in Bratislava, is sitting at the main table. He looks around at the faces of the people filling the hall. How many have come, how they flatter him, what superlatives they use to extol his "priceless contribution" to the development of the enterprise, whose 10th anniversary is being celebrated today. No, he is not interested very much in the workers from his own enterprise now; they represent only "plebs" here, he invited them just for the sake of form; at any rate, he knows very well that many of them have quite different wishes for him on their minds than those they express in words. It is the significant guests both local and from abroad who really matter, since their mere presence elevates the importance of the day.

Everything is going well. Better be, he was preparing the scenario for the celebration with such care! The celebration of the minianniversary of his minienterprise is grandiose. There are nearly twice as many people present as there are employees in the entire Chovprodukt.

The whole country is economizing, energy-saving measures put limits on many necessary things in all areas; we must tighten our belts, give up comfort, not use fuel for even a 1-kilometer trip when it is not necessary. However, the director of Chovprodukt lives in a different world. After all, the enterprise yields more than 2 million net profit a year, which can be used in whatever way the director desires, since no rules have been determined for the appropriation of funds: well then, let's enjoy ourselves, after all, we live only once.

Free Hand With Millions

And now let us look into the everyday life and activity of Chovprodukt during those years. This time, however, not through the toast criteria from the reception described above, but through facts discovered during the investigations made on request, when serious defects in the Chovprodukt's management, namely the views and methods of Director Pavol Cech had been brought to the attention of the authorities.

"To satisfy primarily the needs and interests of the SZD members and other citizens, to contribute to the maximum extent to the development of small-animal breeding and thus to help the development of the entire national economy to the largest possible extent."

This is what the statutes of Chovprodukt, registered on 6 June 1976, say about the task of this enterprise.

How did P. Cech direct the commercial activity of the enterprise? According to his own ideas and theories. Large quantities of products were sold to socialist organizations on credit: 72.9 tons of wheat bran to the United Agricultural Cooperative (JRD) in Saby, 5.6 tons of millet to the Kapusany JRD, 2.4 tons of sunflower seeds to Vegetables, the seed-distribution center in Kvetoslavov, 29.4 tons of sunflower seeds, rape-seed and wheat to Zverimex, Prague, etc.

What does it mean to sell on credit? Essentially it means that the limited amounts of seed and grain do not go to small-animal breeders, for whom they are intended, but to socialist enterprises, which are otherwise supplied by the Agricultural Supply and Purchase Enterprise (PNZP) from state funds. No wonder that small-animal breeders are worried about the shortage of food for their animals. And why is it so that Chovprodukt likes to sell on credit so much, issuing invoices for five, or, not infrequently, even six digits? It is not for the sake of love for their neighbor, i.e., the socialist sector, it is a matter of simple storekeeper's calculations: we will sell by boxcars and will not bother with small kilogram quantities. Everything is sold for the same--retail--price. How the cooperatives' economists will explain their violation of financial discipline by purchasing grain and seeds for retail prices is their own business. All that matters is to fulfill the Chovprodukt's retail turnover plan and to obtain the bonuses which depend on it.

Let us tell you that in 1979, so-called "route transactions" (business transactions during which Chovprodukt's employees did not even have to touch the merchandise and only mediated administratively deliveries from the PNZP to the SZD organizations) represented 22.4 percent of the retail turnover. Through merely exceeding the plan for these supplies, Chovprodukt earned more than Kcs 1 million almost without any efforts. Of the total net profit of Kcs 4.6 million, Kcs 2.6 remained in the account of the enterprise. What to do with the money? There was no regulation or resolution concerning the appropriation of funds. Therefore, P. Cech himself decided what he would appropriate for operating expenses and what for investments. Directors of

large enterprises can envy him, they do not have such unrestricted freedom to spend millions.

Resources for a Single Grandee

According to the provisions, the Chovprodukt's undivided profit should have been transferred to the SZD account and the subsidy of this social organization from the state budget should have been decreased by a corresponding sum. However, the investigation report shows that this condition was not met either by Chovprodukt or the SZD Central Committee.

Unfortunately, the members of the Management Board of the SZD Central Committee did not pay due attention to these questions at that time and did not apply standards high enough while evaluating the Chovprodukt activity. This accounts for the fact that in 1978 they made an unusual decision and raised the annual representation money for P. Cech from Kcs 12,000 to Kcs 15,000. With such a nice sum in the pocket, one can certainly act like a grandee and sit down with business partners in places better than a boring office and entertain those who matter to him.

According to the regulations in effect at that time, the representation money should be used purposefully, for instance, for flower gifts to employees on the occasions of their important life anniversaries or similar occasions, for small presents advertising the enterprise, for soft drinks served during long meetings, etc. However, it is mandatory that all items be specified on pertinent documents and verified by another person. However, P. Cech goes by principles of his own and, therefore, the investigations found unspecified receipts from grocery stores and cafeterias of the total value of Kcs 8,443 for 1979 and receipts of the total value of Kcs 6,111 for the 8 months of 1980. As the final report shows, these are receipts for alcoholic beverages.

Someone may think that this must have been discovered by the next audit and that appropriate conclusions must have been drawn. However, no conclusions were drawn... The audit by authorized agencies examined only whether the general limits had been kept, although at that time written reports of the defects mentioned above had been received, and P. Cech was careful enough not to exceed these limits. For instance, the audit commission never wondered how two representatives of the Prague Zverimex could possibly consume a "snack" for Kcs 260, including a whole kilogram of ham which was obviously and shamelessly charged as a business expense on Receipt No 479 of 30 June 1978. Nor did the highest authority, the union's audit commission, take any steps, since--according to the records--its members and P. Cech were frequently "in session" together in the Brewery Inn during the inspection, refreshing themselves at P. Cech's expense.

A series of other papers shows clearly that P. Cech frequently visited places such as The Golden Rooster, The Inn of the Great Friars and Luxor, where he found a favorable environment for his "business talks." Name days, according to him, were also momentous events, but not the name days of just any worker in his enterprise; he was mostly concerned by people in interesting positions. One can get an idea of the extent of P. Cech's acquaintances also from the

fact that despite the well-known prohibitions he sent out 387 New Year's greetings, at the expense of the enterprise, of course. As it is evident from the telephone bills, he never forgot to send Happy Name Day telegrams to numerous Josephs, Johns, Michaels, Peters, Pauls, Anns and Marys.

The Principle of Merits Mocked

However, even higher sums flowed out of his hand. It was in the area of wages, where P. Cech felt by no means restricted by any appropriate regulations, namely by the conditions stipulated for him in October 1978 on the occasion of the transition to the rationalized enterprise wage system. In the first place, he should have seen to it that the annual increase of average wages did not exceed 2 percent. What was the actual practice? Compared with the year 1978, the 1979 index represents 111.8 percent, the average wage increasing from Kcs 2,583 to Kcs 2,888. Nevertheless, the enterprise reported a much smaller increase, using shrewd trickery: P. Cech did not report a full-time equivalent of part-time workers and in this way he obtained a lower, fictitious, average and instead of the actual number of 73 employees, he reported as many as 80. P. Cech multiplied this number by the mandatory maximum average wage, and, eventually, in December 1979, he had in his hands the so-called "saved wages payable" amounting to Kcs 256,837. He distributed the sum immediately, without consulting the trade unions or without considering seriously his employees' merits according to the evaluations by individual shop managers. Individual differentiation of workers goes from Kcs 500 up to 11,000. In that year, some of his favorites received on the whole 46 to 61.5 percent bonuses in addition to their basic wages. Of course, he took the largest portion for himself. The SZD Central Committee Management Board appreciated his activity in positive terms, legalized the illegal manipulations with wages and approved for him an extra payment equaling 40 percent of his yearly salary, instead of the usual 30 percent, as a reward for his successful work. What a mockery of the principle of merit!

Willfulness and Subjectivism

Muddy waters, a dense, smelling atmosphere--such is the environment P. Cech gradually created around himself.

Willfulness and gross subjectivism characterized his personnel policy. When hiring a man, he was satisfied merely with a filled out personal form. He was not interested in an evaluation by the former employer or in the clear criminal record statement or even a document certifying the level of education completed. Why should he bother, anyway, since he hired people only for a "certain period of time," usually for 3 months, which period was either extended later or arbitrarily terminated. In this way, he acquired unlimited power over the people, while they lost the elementary social securities embodied in our laws as an achievement of socialism. In 1980, out of 86 registered workers, 24 left the enterprise before the end of September and 25 new people were hired. A remarkably high rate of turnover. However, not many people actually pointed this out and there were even fewer efforts to discover the cause.

"The work in the area of personal management is casual, chaotic, unsystematic; the director does not pay any attention to it...", found the inspection.

More negative attributes could be justifiably added. "The personnel management has been deformed and reduced from the principles determined by the party to P. Cech's subjective methods." It will suffice here to give an example of how he "knew" people. In his eyes, sales manager "Comrade" T. Bakay, a notorious rhetorician, who, however, held back when it came to serious work, represented the embodiment of a perfect example at that time. Trusting him absolutely, the director used to send him to negotiate business with a company in Munich. Finally, T. Bakay liked it there so much that he applied for a job directly with the "business partner." In other words, he emigrated and did not forget to take some valuable business documents with him.

On what level was P. Cech's management? As far as this question is concerned, we shall present the experience and views of the manager of branch store No 08 in Kosice, Eng I. Orolin. "Chovprodukt," says Eng Orolin, "lacked planning and evaluation of any kind, to be specific, e.g., there were no product-distribution plans, no product-specification and -distribution schedules for individual stores, the product assortment annual plan did not exist. The retail return was not secured by contracts and, therefore, none of the branch managers ever knew what amount of what product he would receive. P. Cech oriented the product exchange with foreign-trade organizations exclusively toward capitalist countries. Nor was this activity planned, and it did not satisfy the needs of small-animal breeders," says I. Orolin. Mostly a wide assortment of food for aquarium fish was imported, even though domestic products of an equal quality were available on our market in sufficient, even surplus, quantities; the situation was the same for food for exotic birds. On the other hand, the products which small-animal breeders needed really urgently and which were not manufactured in our country were not imported; this applies mostly to technical equipment such as small high-performance electric motors for air pumps, ozone water-purifiers, heavy-duty filters, luminescent light sources, thermostats, etc. And why? Since a smaller trade rebate had been determined for the import of this equipment than for animal food and fodders...

Did I. Orolin bring these problems to the director's attention? "I tried," he says. "We discussed these problems on several occasions, I tried to persuade him to direct the foreign trade toward socialist countries, since various types of high-quality equipment for small-animal breeders are manufactured in the Soviet Union and Hungary. However, I was not very successful and the problems accumulated in the meantime as a result of his utterly incompetent decisions. Unfortunately, the decisions affected negatively both the working conditions of the employees in the stores and the quality of our services to small-animal breeders."

Let us add that P. Cech began to dislike I. Orolin as well as other colleagues who showed any initiative to improve the activity of the enterprise with respect to the needs and interests of small-animal breeders. He viewed their initiative as hostile actions aimed at him personally and he was shameless

enough to pay back in illegal ways. To be specific, he tried to silence I. Orolin, to shout him down, to intimidate him, aided substantially by his so to speak "interpreter of moral principles" T. Bakay, mentioned above. Since this did not help, one audit followed another in the Kosice store, combined with disciplinary actions for entirely trumped up "violations" of work discipline, all being Cech's usual way of paying off old debts. However, the City Court in Kosice pronounced the accusations invalid.

Invoices and "Reinvoices"

What was he doing then, when he got rid of all the troubles a director usually has with the management and work with people?

For instance, he completed the construction of his villa in 32 Olivova St in Bratislava. The villa was built in an interesting way. He ordered the material, such as, e.g., concrete mixture, for Chovprodukt, but he gave Olivova St as the shipping address (invoice No R 316 of 8 September 1978 for Kcs 1,454 wholesale price, issued by Doprastav, branch office No 01). The same applies for 1,050 bricks for Kcs 2,766 including shipment (invoice No 50/10 of 31 August 1978), also smaller items for cement and lime. Now, now! To "purchase" materials from one's own enterprise, which, in addition, deals with parrots and turtles! What does it mean? This is not done! "I have paid the invoices," P. Cech is now defending himself. It must be admitted that it is true, but they were as we say "reinvoices," issued only after the deputy director for economy had intervened. Why did he not buy the construction material in a proper way, i.e., directly from appropriate trade organizations in cash for retail prices?

It is a nice roomy villa. P. Cech built a second villa in those short 15 years. He built the first one in Rusovce where he worked as the JRD chairman before 1976 and then sold it. He had enough strength and resources left to be able to reconstruct a summer house in the Pezinska valley. In the meantime he also managed to find and acquire several apartments in Bratislava, exchanging them again later.

Also, not a little time was taken up by the extensive paperwork related to the activity of private suppliers of various types of equipment and technical devices which Chovprodukt sells to small-animal breeders. He signed service agreements with these suppliers. Agreements? Should they be called agreements, they would have to show clearly all appropriate terms, namely the performance ordered, rate per hour, the actual number of hours and the approval by the employer. In fact they were uncontrollable and uncontrolled odd jobs performed under the protection of P. Cech. During one and one-half years, from January 1979 to July 1980, he signed 172 such agreements, mostly for work and services which could have been provided by socialist organizations without any problems.

He also found time to show "original" attention to certain people. Chovprodukt's store in Pezinek was supplied with several tens of leather coats, nice looking, made of good material, cheap. However, not even one found its way to the counter in the Pezinek store: Director P. Cech sold most of them

"under the counter" to all his acquaintances who were interested and only sent the "receipts" to Pezinek.

We could go on and on. We could tell you how he bullied those who took the liberty to point out the intolerable relations with trade unions, for which he used to determine terms of meetings and decided whether people would or would not be released from work in order to attend them. Or we could tell you about his irreconcilable conflict with his deputies and how he got rid of them.

Everything would just bring us to a single fact expressed by the SZD Central Committee secretary, Eng Jozef Kuban, who is now wiser through the experience of this case: "He acted in all respects as if the enterprise were his." An accurate description. The enterprise, that's me!, as the famous French king said about the state. And indeed, P. Cech changed Chovprodukt to a kind of small Turkish "pashalik" with all the vices of "Turkish husbandry."

The fall of this "pashalik" dates to 1 October 1981. On that day, the Management Board of the SZD Central Committee removed P. Cech from the position of director of Chovprodukt with regard to the results of the investigations and their own extensive experience with abuses in this enterprise. Special measures were adopted to prevent such abuses from being repeated in the future.

Let us add that prosecutors investigated the allegations of illegal activities during the time when P. Cech was the director of Chovprodukt and they concluded that there were not any such activities.

Dangerous Links

P. Cech is in his fifties, has middle-level technical education, well mannered, socially adept. His father was a cattle trader in Pezinek and P. Cech also started in this trade when he was young. Then he began to work in purchase enterprises. He was hard-working, showed remarkable organizational gifts, completed his education and, therefore, he went on to positions of increasingly greater responsibility in agriculture. He managed successful development of cooperative farms, for which he received a state award.

How did he bring about his fall? He did not want to surpass his old achievements by new ones, but he wanted to capitalize, to take interest in the form of material values as long-lasting as possible. He never got rid of a certain spirit of greed in his attitudes and deformed the spirit of social enterprising to lack of discipline in planning and finances. He did not find room for his initiative in the opportunities and needs of the development of small-animal breeding as outlined in the party and trade union documents, but he made use of the loopholes in our planning and management, in the legal regulations and particularly in the system and practice of audits. He built this "system" of his on a very broad circle of influential acquaintances, which reflects links between vices and their protectors in a form particularly worthy of condemnation.

The moral of this story can be found in the thought expressed by Gustav Husak at the CPCZ Central Committee's Fourth Plenum last year: "Whenever there is negligence, lack of discipline, favoritism, self-interest, laziness, greed, cunning, etc., not only those who are actually guilty of these vices should be blamed, although they should be blamed primarily, but also those who create conditions for such vices, who tolerate them, put up with them, avoid facing them or even defend them."

Will they think about it?

0814

CSO: 2400/160

JANUARY 1982 NATIONAL ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 5 Mar 82 p 2

[Report by Dr Eng Vaclav, CSc, Federal Office of Statistics: "January 1982"]

[Text] The preliminary summary results of economic development which are available for January 1982 cannot yet definitely answer the question whether we worked effectively, diligently and economically. Nevertheless, they can indicate whether we made progress in this respect, whether the necessary turnabout in the development took place.

When judging the economic development in January, the fact must be taken into account that January 1982 had 1 working day less than January 1981 and that--although we did not experience extremely low temperatures--relatively heavy frosts lasted longer. As a result, the average January temperature was substantially below a many-year average. Weather impaired production regularity and its optimum efficiency, particularly in some branches and sectors, while in others it contributed to a bigger than usual seasonal shortfall.

According to preliminary information, cold weather in January necessitated relatively higher fuel and energy consumption than in January 1981. While industrial production declined 2.5 percent, production of electric energy declined only 0.4 percent in comparison with January 1981. Only due to the self-sacrificing work of miners primarily in surface mines and workers in transportation and power plants, energy and fuel supply was not interrupted. This was made possible partly by the reduction of coal stockpiles in the power plants. In comparison with January 1981, the brown coal and lignite output, despite extraordinary effort, declined more than 9 percent and pit coal output fell 4.3 percent. The output plan for pit coal was fulfilled, but was short 7.3 percent for brown coal. An even higher shortfall was registered in the removal of overburden in brown coal mines. It became evident again that technical equipment supplied by the engineering enterprises does not work reliably under winter conditions.

Likewise, incomplete information on motor-fuel consumption in January is not satisfactory. Most of the organizations have still not rationally reorganized transportation to make it not only reliable and adjustable to needs, but also inexpensive and economical in terms of liquid-fuel consumption. This

sometimes depends on interlinking and continuity in supplier-customer relations, but primarily on good work organization. This year's plan for industry which anticipates only a 0.6 percent production increase offers an extraordinary opportunity for improving precisely the quality and organization of work of every kind. It has not been long since management workers faced with dynamic targets maintained that, had it not been for high production increases, they would have been able to radically press good production organization, quality and efficiency and would also have had more time for developing long-term concepts of production, technical progress in production and innovation of products. As this year's plans anticipate only a slight production increase in most enterprises, there is an opportunity now of reviewing and improving the production structure and of choosing the best possible solution for the future.

According to the preliminary estimates, the adjusted net outputs in industry were 1.7 percent below the January 1981 level and industrial enterprises essentially (99.8 percent) attained their planned volume. Better results achieved in the adjusted net outputs than in the commodity production volume point to the positive tendency continuing from last year in relatively reducing material costs. It must be emphatically stated even at the beginning of the year that materials and energy conservation must be much more substantial in order to offset the adverse impact of the rising prices of imports, [a trend] which is expected to continue.

Industrial enterprises generally did not fulfill the plans for deliveries in January. Their exports of manufactured goods to the socialist countries were 7.7 percent above, but their exports to the nonsocialist countries 2.9 percent below, the January 1981 level. Likewise, deliveries of manufactured goods to domestic trade and for industrial production and operations were 0.8 and 5.3 percent, respectively, below that level.

As to the industrial-production structure, the 1982 plan anticipates that, even with the smaller planned increase in industrial production (0.6 percent in comparison with 1981), production in the engineering industry will increase 7.7 percent, in the woodworking industry 4.4 percent, in light industry 3.0 percent, but decline in metallurgy by 2.3 percent, while fuel, energy, chemical industries and production of building materials will register a slight decline. The enterprises supervised by the Ministry of Fuels and Energy, the enterprises of the electrical engineering industry, rubber industry, and leather and shoe industries essentially fulfilled the plan in January.

On the basis of this year's January results it is difficult, in view of the relatively frosty weather, to determine whether the construction enterprises got off to a successful start in the new year. It is evident from the results, however, that even if the volume of construction work planned for 1982 is lower by 4.7 percent, the January results already indicate that they will have to try very hard in the next few months to make up for the shortfall. Construction volume was approximately 20 percent lower than a year ago and only 206 apartments were completed. It was confirmed again that the construction organizations' schedules and preparation do not anticipate very unfavorable weather during the winter period.

Basic Indicators of National Economy's Development in January 1982
Increases Over Comparable 1980 Period (in percent)

| | YEAR 1981 | JAN. 1982 | STATE PLAN 1982 ¹ |
|---|------------------|--------------|---------------------------------|
| DELIVERIES OF THE CENTRALLY ADMINISTERED INDUSTRY FOR: | | | |
| --investments at wholesale prices | 5.4 | 6.1 | -11.9 |
| --domestic market | | | |
| at wholesale prices | 0.3 | -0.8 | -0.3 |
| at retail prices | -0.1 | -6.6 | 1.6 |
| --export to socialist countries | | | |
| at wholesale prices | 1.3 | 7.7 | 2.6 |
| at f.o.b. prices | 9.3 | 3.9 | 4.7 |
| --export to nonsocialist countries | | | |
| at wholesale prices | 3.1 | -2.9 | 4.6 |
| at f.o.b. prices | 7.9 | -8.3 | 6.7 |
| --other sales for industrial production and operations at wholesale prices | 1.9 | -5.3 | - |
| volume of industrial production | 2.2 | -2.5 | 0.6 |
| average number of employees | 0.4 | 0.8 | 0.3 |
| labor productivity based on industrial production | 1.8 | -3.2 | 0.3 |
| CONSTRUCTION | | | |
| construction work performed with internal labor resources | -1.6 | -19.7 | -4.7 |
| average number of employees | -0.7 | 0.0 | -0.9 |
| labor productivity based on construction work | -1.3 | -19.7 | -3.8 |
| housing units delivered by contracting enterprises | -21.1 | -1.0 | 5.5 |
| PROCUREMENT | | | |
| slaughter animals (including poultry) | 0.5 | -5.8 | -9.5 ² |
| milk | 0.1 | -2.7 | 0.2 ² |
| eggs | 0.8 | -7.0 | -0.2 ² |
| RETAIL TURNOVER | | | |
| of the main trade systems | 2.3 ³ | 5.2 | 2.8 ³ |
| FOREIGN TRADE ⁴ | | | |
| export to socialist countries | 11.8 | 29.6 | 8.8 |
| export to nonsocialist countries | 4.6 | 16.1 | 7.6 |
| import from socialist countries | 10.3 | -13.2 | 11.6 |
| import from nonsocialist countries | -4.4 | -37.1 | 4.1 |
| PERSONAL EARNINGS ⁶ | 2.6 | | 2.6 ⁵ |
| of which: income from wages ⁶ | 2.5 | | 1.9 |
| ACTUAL CASH EXPENDITURES ⁶ | 2.5 | | 3.1 ⁵ |

FOOTNOTES:

1. Increases compared to actual 1981 results.
2. Increases compared to expected 1980 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank)

The progress in the procurement of slaughter animals will have to be followed up with special attention, controlled and regulated in 1982. The regulation, due to the limited fodder supply, of the number of pigs in the last months of 1981 does not mean that the number of sows will also be limited. With equal sensitivity, we must judge the tendencies in the procurement of slaughter cattle because, on the one hand, the required procurement of meat must be secured, while, on the other hand, there must be enough beef cattle for the future. The key to the solution of this problem is in the agricultural production plants which must rationally use available fodder. After large purchases of slaughter animals toward the end of last year, the purchase targets detailed on the basis of the annual plan for January were surpassed 3.2 percent for slaughter animals and 5.2 percent for poultry. In comparison with January 1981, however, the overall shortfall was 8,400 tons of slaughter animals including poultry. The plan for purchase of milk fell 10.3 million liters short of the goal in comparison with January 1981. On the other hand, the egg-purchase schedule was surpassed 3.4 percent.

As was the case last year, the attainment of a balance in external economic relations will be one of the important criteria of economic development in 1982, too. The state plan anticipates an excess of exports over imports in relation to the nonsocialist countries, while the reverse is expected in trade with the socialist countries. There was a significant excess of exports over imports in relation to both areas in January. In comparison with January 1981, exports to the socialist countries increased almost 30 percent, while imports declined more than 13 percent. In relation to the nonsocialist countries, exports declined more than 14 percent and imports more than 37 percent. In view of the fact that this was the first month of the year, these results must be judged with reservation, but they already indicate that trade and deliveries for export to the nonsocialist countries will require much more effort.

In domestic trade, purchases of food increased in January. In anticipation of price increases for some types of food, the population responded with increased purchases. While there was a general 3.4 percent increase in the retail turnover of the main trade systems in comparison with January 1981, the turnover in food stores increased 10.5 percent, in consumer cooperatives 6 percent, while the turnover in stores selling industrial goods declined.

10501

CSO: 2400/178

SMALL BUSINESS REFORM IMPACT ON LARGE INDUSTRY DISCLOSED

Budapest MAGYARORSZAG in Hungarian 7 Mar 82 p 25

[Article by Csaba Vertes: "Three Picture Hooks"]

[Text] One cannot drive a nail into the concrete wall of a prefab house. The prefab house dweller calls the mammoth business regarding three picture hooks, and receives silent amazement at the other end of the line. Such is unheard of. "Three picture hooks? Where do you think you are, sir? Collect about thirty of them, then maybe...But only in the next few months..."

Hopes and Fears

A little bit later, the prefab house dweller finds a tasteful little card in his mailbox: a team of house repairmen are offering their services, emphasizing that "you cannot give us a job that we cannot finish by a short deadline." On the telephone: "Well, I'm only talking about three picture hooks..." "Sir, if it's three, it's three, if it's one, it's one. We're coming. That's how we make our living." They arrived, they worked, and meanwhile they explained they only do this kind of work as a secondary occupation. Their real employer is the previously mentioned mammoth business, which naturally does not take on such small jobs. If the business is big, so is the administrative cost, which can only be covered through the income from large jobs.

The prefab house dweller is a clever individual, and he now understands what he read in a trade journal: "The size of an enterprise is advantageous if the area of activity is tailored to fit and harmonizes well with the task and the system, the content and the form. The size--be it big or small--becomes a drawback when the organization undertakes work outside its area."

He reads other opinions also. For instance, in the January issue of "Reality," in the interview montage by the excellent reporter Istvan Kispista, he reads: "We are familiar with the original saying that private production daily leads to capitalism." Or: "I nonetheless am not afraid that socialist economy is in danger in our country...However, we can be afraid that...(economic) stratification of the people will begin again." Then: "I do not agree with those who think that what we have in Hungary today is small capitalism, primarily because they sound this opinion on seeing the laden shelves of the grocery stores."

From a document that can be regarded as official: "The new rules regarding small enterprises represent the further development of economic reform...But the reform requires a new mode of approach to certain questions...A mode of thinking which is appropriate for the rapidly developing demands of socialism."

Laslo Popper, director of the State Wage and Labor Bureau, states: "It is not difficult to predict that even after they become widespread, small enterprises and complementary industrial activities, the modernized forms of consumer services will not be able to count on completely positive acceptance. There will be examples of excessively high incomes, luring of labor, abuses of the market situation and supply-demand conditions, etc. We should know, though, that such grand changes in our economy will naturally be accompanied by occurrences that no one wanted. If their number is insignificant, then there is no cause for worry. However, common occurrences call attention to the need for modification."

Primarily the directors of large industry worry about small enterprises, saying that the business conditions are not equal; that large industry, due to the laws regulating it, can easily be beaten in the wage race and consequently in the labor market.

(As an aside, what belongs to the conceptual category of small enterprise? A small enterprise can be a subsidiary created by a large industry; a small business founded by the responsible minister of a nationally active institution; an industry's economic workers' pool, founded exclusively by employees and retirees of the industry; the small cooperative or specialized group of the industrial or service cooperative, with the participation of private individuals; a workers' pool brought about as a primary or secondary occupation, also with the participation of private individuals; and finally, the now well-known contractual operation of state industries' and cooperatives' stores and production plants.)

And Efficiency?

These small enterprises can perform many kinds of work, but they can hardly train specialists. They must "obtain" the specialists, especially experienced, practiced and versatile construction workers, repairmen and iron industry specialists. They must, and do, accept the accusation of "luring" labor. But why shouldn't they, considering that they know it is exactly this trade versatility that large industries utilize least, and consequently, they cannot pay versatile trade knowledge adequately.

The opposing opinion: what will we gain if the best--and not easily replaceable--specialists leave large industrial production, and enter service with less efficient and technologically less equipped small enterprises and agricultural side industries? Perhaps we will finally begin to examine seriously the efficiency of the large-industrial system. We can easily find that the efficiency level of the small industry is not necessarily lower than that of the large....

(Laszlo Popper: "Presently, nearly 2 million are employed in the socialist industrial and construction sectors, 1.6 million of them in manual labor.

If--stepping well outside of realistic possibilities--we consider the formation of 200-300 small enterprises, then their labor requirements will be at most 10-15,000 individuals, or much less than the spontaneous decrease in industrial and construction employment in the past few years.

Stated otherwise, this means that if the regulations making small and private enterprises' options easier--for instance, the abandonment of rules artificially restricting labor traffic--had appeared earlier, then once-again active workers would have filled the labor demand of the new business forms. In addition, it is apparent today that even under "directed" or centrally influenced movement, the redistribution of labor can be traced back to personal reasons, or is realized as the outcome of accidental changes of workplace.

All of this, of course, hardly consoles large-industrial directors, even though they should also understand that employment decreases in the production and manufacturing branches for the benefit of the so-called tertiary branches are necessarily a large part of economic development. This redistribution is necessary, but in Hungary it still comes as a surprise, thus with unpleasant consequences. Large industry--including the state construction industry--is momentarily not prepared for such changes; it does not balance the process as it could and should with better organization of labor, increases in efficiency, and a more economic production system.

It is time to take these long-repeated tasks seriously. In the present 5-year plan, some industries must prepare for modest progress and, in some cases, restriction of their activity, in the circumstances of more measured economic growth. However, among industries which are neither expanding nor shrinking, production can only be increased by the dismissal of some employees; without the assurance of replacements, they take into account the natural attrition, and the redistribution of labor, even occasionally the reduction in employment, occurs spontaneously. Their worries also indicate that they do not have to accept responsibility for full employment, which is otherwise not their concern. The employees who become superfluous can find other positions, thus it is not necessary to fear for them.

They fear more for their own developmental possibilities, still apparently extensive, and find most difficult to accept that in most cases, the best specialists leave them. The large businesses come in second in the wage race with the small enterprises, and they cannot balance their disadvantage with, for example, better working conditions or better social benefits.

No Threat

Concerning wage regulation for both small and large enterprises, and ignoring the details: the specialists say that we cannot speak of advantages for small enterprise within regulations, and we must believe them. In the phrase "new enterprise forms" the word "enterprise" must be emphasized. It is the enterprise which is risky. Wage regulation is such that those participating in the enterprise insure against possible failure with their own wages, and accept the responsibility for effective termination of the undertaking. This

does not threaten the large-industrial employee. It is also true, though, that regulation of far above average production has less effect on personal wages. Furthermore, in another area of small enterprise--market production--more liberal tax laws are in effect, but less tax-free wage increases accompany personal productivity increases than are natural in large state industry.

Then what are they afraid of? (Meaning those that are afraid...)

Apparently, they fear that the creation of a small enterprise or small cooperative--based on the risk involved--is only a sensible undertaking when business conditions and regulatory provisions make higher-than-average income situations possible. Finally, this was the goal: that there should be workers for whom even the mounting of three picture hooks is business.

9890

CS0: 2500/167

DEBATE ON METHODS OF ECONOMIC REFORM PUBLISHED

Warsaw TRYBUNA LUDU in Polish 18 Mar 82 p4

'Crisis Trap' Issue

[Article by Stefan Hatt: "On the Issue of the 'Crisis Trap'"]

[Text] Editor Stanislaw Albinowski recently published in TRYBUNA LUDU a series of articles under the joint title "The Economy in the Crisis Trap," in which he brought up a number of important problems concerning both the diagnosis of the economic crisis and its treatment.

At the beginning of his deliberations the author stated that he would be grateful for critical remarks concerning the issues he was bringing up. Because the problems raised by the author are of specific importance, it seems necessary to present a position on some of the matters discussed, in order to give readers a fuller range of material from which they can make their own assessments and draw their own conclusions. It is particularly a matter of the role of hard coal in the national economy, of materials management, and of related efforts in the realm of what we call operational programs.

It is true that "it is not just coal" which keeps the Polish economy going, but it is also true that the role of coal in our country is enormous, and fluctuations in its output, and hence also in its consumption, have a decisive impact on the rate at which industrial production grows or declines.

We are dependent on coal to an incomparably greater extent than other countries, owing both to the structure of our balance of fuels and to the structure of industrial production.

The 1979 data from the Main Statistical Office (GUS) concerning production of certain goods per million U.S. dollars of national income shows that a million dollars of such income in Poland corresponds to 1,484 tons of hard coal, compared to 120 tons in the FRG and only 35 tons in France.

This shocking comparison shows not only that we have a specific production structure and that per-unit coal consumption is greatly overgrown with regard to production, but also, above all, that our very production itself is based on coal.

Hard coal's share of the total consumption of fuels in Poland in 1980 exceeded 74 percent. Some 76 percent of electric power production was based on hard coal, as was 87 percent of thermal power. Power from coal represented 90 percent of all power consumed in the production of sugar, 83 percent of that for paper and cardboard, 90 percent for pig iron, 71 percent for sulfuric acid, 87 percent for cement, and 68 percent for copper. These figures are far more reliable and precise than the very approximate calculations and estimates which the author included, and he himself admits to their being "very dirty." In essence, for example, editor Albinowski estimates that for an increase of 9 million tons in coal consumption in industry it is possible to obtain a 220-billion zloty increase in gross production, about 80 billion zlotys of which is net production.

Meanwhile, the GUS statistics show that in 1979 coal distribution for nonmarket supply-type purposes increased by 20.9 million tons in relation to 1975. At the same time, total production increased by 920 billion zlotys and net production increased by 220 billion zlotys.

The data above show that there is an increase of gross production amounting to 44 billion zlotys per million tons increase in coal deliveries, not 30 billion zlotys, as the author states.

Coal also makes an indirect contribution to the growth of industrial production as a significant source of funds essential in financing co-production and supply-type imports.

In trade turnovers with countries of I payments area [socialist countries] the value of hard coal deliveries accounted for 8.7 percent in 1979 and 6.5 percent in 1980 of total exports and 40.8 percent and 33 percent, respectively of exports of goods of the raw-materials type. From this area we received in exchange for coal both fuels and those raw and other materials for production like coking coal, petroleum products, magnesite, alumina, synthetic rubber, potassium fertilizers, chemical raw materials and partly-finished products, and so on. In exports to the USSR coal balanced deliveries of crude oil from the Soviet Union.

Hard coal exports to countries of II payments area [capitalist countries] in 1980 reached 914 million dollars, or about 12 percent of all our exports to Western countries. In this way coal exports allowed us to finance about 16 percent of all our raw materials imports from these countries in 1980.

The drastic decline in coal exports in 1981 brought with it not only a significant decline in cash income from the capitalist countries and therefore in raw materials imports from that area but also a worsening of our bargaining position in negotiations to refinance our indebtedness with western countries. It is not easy to recapture this position, even given the current high level of output and the relatively great export possibilities.

Alongside the especially highly coal-intensive nature of our economy, it also has an excessively high level of energy- and material-intensiveness.

According to GUS data for 1979 the production of electric power per million dollars of national income in Poland amounted to 864 kilowatthours and was 170 percent of the FRG level, while natural steel took 142 tons and was 220 percent as great, and cement took 142 tons as well and was 290 percent as great.

On the other hand, in our country plastics took only 3.2 tons, compared to 10.1 tons in FRG, which means about one-third. This shows how little the more economic materials are popularized in our industry. An analysis of the products of engineering industry shows that the net consumption of materials per given utilitarian parameter in our country is far higher than in the highly industrialized countries. This is true not only of complicated machinery and equipment but even of simple products like two- and four-axle boxcars, tank cars, and so on. Because our industry has material-intensive production owing to the existing structure of raw and other materials and manufactured goods, as well as a technology gap, the high level of fuel, energy, and materials consumption in the economy continues partly as a result of these factors. It should be added that in the years 1978, 1979, and 1980 no progress was made in unit consumption of raw and other materials in socialized industry.

Taking into account the above data and analysis results, we cannot be surprised that Editor Albinowski devoted so much attention in his deliberations to materials management, especially the management of reserve supplies and material consumption. It is the very management of materials which in the author's opinion had a decisive impact "on the crisis of recent years and the economic catastrophe last year."

Justifying correct general statements concerning the management of reserve stocks, the author failed to notice certain simplifications or to take into account a host of facts which change the picture of things significantly. For example, official price changes influenced the increase in the value of reserve stocks in the socialized enterprises to a great extent (more than 20 billion zlotys). In addition the handling of data in terms of value does not show the economic usefulness of reserve stocks owing to their assortment of items. The national economy cannot always make use of accumulated surpluses.

The increase in reserve stocks during 11 months of 1981 concerned mainly finished products whose reserve stocks increased by 22.3 billion zlotys, or 33 percent, and reserve stocks of unfinished production, which increased by 47.1 billion zlotys, or 27 percent, while reserve stocks of materials did not show any substantial change.

In industry the increase in reserve stocks and materials is greatly influenced by the situation in the enterprises of the food industry under the Ministry of Agriculture and Food Economy, in which reserve stocks of materials in 1981 increased by 22 billion zlotys, or more than 50 percent, mainly as the result of the increase in crop production and the exceptionally low level of this sort of reserve stocks at the beginning of 1981 (from 1980 harvests). After we subtract the reserve stocks of the enterprises under the Ministry of Agriculture and Food Economy, the increase in reserve stocks of materials in industry for the 11 months amounts to only 12 billion zlotys, or 3.3 percent, which means that it is far below the 1980 figure.

In 1980 and 1981 there was a great decline in production and a worsening of the ratio of production to reserve stocks, but the decline in production was brought about not by the increase in reserve stocks but by the shortage of imported materials, transportation and power difficulties, and other problems. The management of reserve stocks did not become worse. The growth rate of reserve stocks declined. The statement that when there is a decline in production there should be a decline in reserve stocks of at least 26 billion zlotys is not correct. The decline in production is often accompanied by the phenomenon of an increase in reserve stocks, because production difficulties make it impossible to use the planned reserve stocks which have been accumulated, owing to the fact that the reserve stocks of goods which are periodically not being used in production are set aside to await deliveries of items needed to finish production. This ease in accepting simplified conditions brings to mind the assumption of one of the alternative programs for getting out of the crisis once criticized by Editor Albinowski, in which one zloty removed from investments was supposed magically and automatically to turn immediately into four zlotys in the consumer-goods sector. The matter is so simple; only the central office is so "uneconomical" and cannot see that all one needs to do is stretch out one's hand to get at the "reserves lying there." The statement that in 1981 more than 160 billion zlotys was tied up in excessive reserve stocks is not justified. According to GUS and the Polish National Bank, the figures on excessive reserve stocks during recent years are as follows: 38.7 billion zlotys in 1978, including 20.5 billion for materials; 48.3 billion zlotys in 1979, including 27.2 billion for materials; and 60.4 billion zlotys in 1980, including 33 billion for materials. There are still no figures on this for 1981. In the same way the author's hypothesis that in 1981 there was a decline in national income on the order of 50 billion zlotys because of excessive stocks of materials put to one side cannot be documented in terms of figures either.

We must admit that Editor Albinowski is right that it is not possible to reach economic balance in many of the important areas of the national economy, unless progress is made in the effectiveness of the consumption and use of raw and other materials, fuels, and energy.

In the total policy of ways out of the current economic crisis, it will be very important to reduce the level of energy- and material-intensiveness of production, but this will not be the only one, as the author suggests.

The existing structure of goods production calls for changes in the direction of growth in the share of goods which take little power and materials but have a high value. For example, this means that the expansion of the production of electric power tools, the start-up of electronics production and the production of precision instruments and machinery, modern metallurgical products, medical apparatus, and so on, should create beneficial changes in the scheme of industry's materials- and energy-intensiveness. Nonetheless, the structures cannot be changed in a short time, because they are the result of a process which has grown up over a number of years.

The GDR carried on a campaign to modify production structures in 10 years. Work on long-range structural efforts aimed at significantly reducing the consumption of fuels, and raw and other materials are in full swing. After all, the author of the articles admits this, especially since he is taking an active role in this work. On the other hand, in terms of the current activity and short-term actions concerning improved materials consumption, it is Editor Albinowski's opinion that the central office is doing practically nothing in this area.

It is odd that the process of increasing awareness that the economic reform is already a fait accompli is so slow. This is true not only of people who are not very familiar with the problematics of administration and planning but also of some of our managers and even well-known economic journalists, among them Editor Albinowski.

If the economic reform is approached with due respect, then we cannot simultaneously now expect the central office to come up with immediate ad hoc effective measures which are so characteristic of the directive-distribution system.

Such action would be contrary to the spirit of the economic reform. Its main assumption is the very improvement of the effectiveness of management, including the very improvement of utilization of fixed assets and the more effective consumption of fuels, and raw and other materials.

On the other hand it is the central office's business to create appropriate conditions in terms of systems and incentives, for example, in tax and credit policy, to improve the utilization of raw and other materials as the result of technological changes, reduction of losses, decrease in the weight of goods produced, and so on, and to provide encouragement to

start up production of new goods which will be beneficial to the national economy.

The expansion of the role in production played by the small enterprises of state small-scale industry, cooperatives, and crafts and trades in terms of their share of production overall can be of great importance here. There are great untapped reserves here.

As a footnote we should mention that in his analyses the author is using only the index of gross production, which does not provide adequate bases for comparing outlays with effects or to show that the management of raw and other materials is uneconomical.

Against the backdrop of a basically positive assessment of the role of the operational programs, the author seems to be giving a correct view that they can basically discharge their tasks properly in the instance in which the number of programs is limited and supplies for them do not exceed 30 percent of the total supply pool. At the same time it is Editor Albinowski's opinion that allocations of materials for these programs are excessive and that the enterprises carrying out the programs are privileged but that the whole economy loses out on this. On the other hand it must be noted that there is no justification for the hypothesis that when the decision is made by the government to distribute materials for certain social purposes there is a slackening of administrative and consumption procedures regarding those materials.

The author's statement that enterprises producing and consuming materials covered by special-purpose programs use their privileges ahead of time to jack up the projected demand in placing order for the materials on these distribution lists by 10-30 percent cannot be documented, nor can it probably be true either, given the great shortages of materials in the national economy. Without in-depth research we cannot judge whether or not the demand is inflated. At the moment this is just what is being analyzed, and it will be effectively revised. It would be difficult to imagine that operational programs spring up immediately in perfect form.

It should also be mentioned that current regulations charge all sales centers with the obligation of supervision and monitoring, the application of appropriate sanctions, and so on. In this area the various ministries and the Office of Materials Management also bear this responsibility. Independent of this, on the basis of Council of Ministers Resolution No 243, dated 30 November 1981, concerning the principles of operation of state enterprises in 1982 and Council of Ministers Resolution No 278, dated 30 December 1981 concerning the operation of the economy under martial law, the Minister of Materials Management created special supervisory teams encompassing 22 materials groups and drafted instructions concerning the principles for the distribution in 1982 of fuels, raw materials, and other materials covered by compulsory mediation. These instructions and authori-

nations of the supervisory teams, along with their make-up, should insure the correct distribution of resources and their rational management.

The most important factor in self-supervision is the economic reform being introduced, the new regulations concerning credit for the enterprises, and the altered principles for the financing of reserve stocks. Despite this fact, it is necessary to have a deep analysis of the allocations of materials and, as implied by this, a monitoring of these allocations for specified special-purpose programs and for the various enterprises carrying out these programs, because there can be some irregularities, given the partially changed organizational system and the new tasks given to the various sales centers.

The author's statement that in the event it is not possible to meet the needs of the other consumers for certain materials, that is, the enterprises outside the programs, the sales centers use the unjustified, illogical mechanism of automatically cutting needs across the board by an equal percentage for all the other consumers may be true, but it is subjectively improper, proof of the poor work of the individual units, and not the rule, let alone the recommended norm.

The operational programs are a new phenomenon in planning practice. This is a sort of operational planning using goals, under particularly difficult economic conditions. It is an important matter to acquire experience in the process of creating and inculcating operational programs.

The number of operational programs varies according to the needs, and from this point of view they will continue to be monitored. The operational programs are carried out and inculcated into economic practice by quarterly periods. The introduction of this system is aimed, among other things, at making corrections and eliminating improprieties and errors.

The first quarter is an experimental period to check on both the correctness of the elaboration of the plan and the capability of the various economic organizations, including the trade turnover units, sales centers, and foreign trade center, and, especially, the industrial enterprises, for work under the operational programs system. This past February we monitored the implementation of operational programs and found:

The need to implement an operational system to resolve controversial (divergent) problems which cannot be resolved at the level of the enterprises or trade turnover unit,

The need to put in order the system of cooperation between the operational program plenipotentiaries and the economic-type ministers participating in their implementation,

The urgent need to take care of the system of current and periodic information and reporting (for example, on the status of agreements signed for the delivery of goods stemming from the operational programs), and

The need to issue shortly an interpretation of the regulations and undertakings to eliminate the phenomenon known as tacking projects on to the operational programs.

As the result of the experience acquired, a detailed program will be created involving actions to eliminate the sorts of improprieties which are inherent in the inculcation of operational programs. This program will be implemented into practice. Of course it will be used in the work done on plans for the second quarter of this year.

It would seem that these comments are necessary to avoid taking Editor Albinowski's articles in a distorted way to a great extent as the result of the hastiness of the formulations at the cost of the merit of the issue. It was the intention of the author of this present article to protect the reader from those sorts of impressions.

Not By This Road

Warsaw TRYBUNA LUDU in Polish 18 Mar 82 p4

[Article by Stanislaw Albinowski: "The Road Does Not Go in This Direction"]

[Text] Stefan Hatt, economic adviser in the central economic administration admits on the one hand that I am right in my basic hypotheses presented in my cycle of articles "The Economy in the Crisis Trap," but at the same time tries to prove that I am not right, because he accuses me of "oversimplification," of "hastiness" in my formulations, and computational errors. He wrote his polemics to "protect the reader" from "distortions" in viewing the economy, after reading my articles. In striving for this goal, my attacker, nonetheless, engages in a methods of doubtful quality, while the errors he makes astound me. So now here are the most important issues one by one.

First of all, S. Hatt admits the following:

I brought up "a number of important problems," which "are of considerable importance";

"It is true that the Polish economy does not stand on coal alone";

There are great overages "in the consumption of coal per unit production" and that "progress has not been achieved in the unit consumption of raw and other materials in the socialized industry" (let us excuse here this euphemism about the lack of progress);

My "general statements regarding the management of reserve supplies are correct";

I was correct to devote "so much attention to the management of materials";

One has to admit I am right when I say that the way out of the crisis "cannot be achieved, unless there is progress in the effectiveness of the consumption and utilization of raw materials..." (and this was the keynote of my whole cycle of articles "The Economy in the Crisis Trap");

My view that the effectiveness of the operational programs makes it necessary to limit the number of them is correct;

My accusation about "improprieties" "may be" correct with regard to the distribution of scarce materials ("improprieties" is another nice euphemism);

The postulate to monitor the allocations of materials for enterprises carrying out the operational programs was correct;

As I pointed out, it is necessary to eliminate the phenomenon of "tacking project" onto enterprise operational programs in order to gain preferential material supplies.

One might expect that after these ten statements which support my basic hypotheses and the conclusions of my deliberations (in no place yet has it happened that somebody acknowledged I was right so many times in a single statement!), Mr Hatt would acclaim me and get on with a direct discussion of concrete issues. I continue to maintain that "I will be grateful for criticism," but this means genuine criticism. Meanwhile...

What he says is not true when he says that "the increase in reserve supplies determined the drop in production," but it is true that I wrote, putting the idea briefly, that the commitment of many scarce raw and other materials was one of the factors contributing to the production decline in 1981, and I estimated the significance of this factor at 18 percent.

What he says is not true when he states that the decline in material-intensiveness is "the only" way out of the crisis, but it is true that I not only suggested this but stated clearly in the final article of the series: "I do not say that the way out of the crisis depends solely on improving the management of materials, and I hope that nobody will accuse me of this."

It is not true that "in the analyses I use only the index of gross production which does not provide a basis..." but it is true that back in the first article of the series, after criticizing the standard of gross production measurement as a criterion of economic activity, I wrote simply: "Thinking in terms of gross production separates effects from the outlays and thereby removes the problem of poor management from our field of vision." Therefore my accusation, which after all I have been directing to the central economic administration for years, was turned around against me, and here just about the same formulations were used. The fact is that I do not count in gross production sizes either. If only such data exist I use net production or income, and where there is

not such data, I compute estimates for net production from the value of gross production. Within the categories of income I have also included the sizes of the decline in production in 1981 along with an estimate of the various causes of this decline.

Finally, this statement is imprecise: "...S. Albinowski thinks that the materials allocations for the (...) (operational) programs are too lavish..." On the other hand the truth is that in writing about this I referred to the view of "one of the experts familiar with this matter firsthand." I wrote here clearly: "I myself cannot check the above statement, but I decided to check it "at random" using a suitable example. And I presented the example of the operational program for the production of farm machinery, in which the increase in supplies of metallurgical products is just about twice the increase in the value of planned production, but S. Hatt did not want to comment on this. He simply passed over it in silence, although it is not possible that he is unfamiliar with the Planning Commission materials upon which I based my calculations.

In addition, Mr Hatt allows some slight manipulations. One of these in particular deserves mentioning. I have been accused of using in my deliberations the same demagogic methods as those which I myself criticized last spring the "Solidarity" expert Docent Kurowski, when he attacked the government program for getting out of the crisis. This insinuation is too absurd for me to refute it meritorically.

Now I shall pass on to my third point of reply, that is, the stratum of S. Hatt's article which could be called "argumentative."

Above all, the matter of coal. I will come back to this subject again. Here I will limit my comments to responding to S. Hatt's deductions, which first props the door open by a long list of numbers to show the role coal plays in our economy. Nobody has ever denied [that coal is important]. In my calculations, on the other hand, I was after something different, the extent to which the 30-million tons decline in coal supply contributed to the decline in the net production of industry and the national income. To this end I included calculations which I myself called "a rough estimate," because it could not be otherwise, taking into account the state of our statistics and the price distortions in the economy.

S. Hatt compares this "very rough estimate" with his own figures, which, as he says, are "far more precise and reliable."

I must emphasize strongly that with a single exception no figure in the list corresponds to reality, and the dimensions of the error are enormous. In his calculation, Mr Hatt refers to the GUS [Main Statistical Office]. On the other hand I decided to make a check, and the results of that check are given in the table below. It turns out that during the period under discussion, the gross production of industry increased by not 920 billion zlotys but from 438 to 561 billion (it depends on what fixed prices we use). The result which I get now is close to the previous one.

National Income, Industrial Production, and Hard-Coal Consumption

| | 1975 | 1979 | absolute increase |
|--|---------|---------|----------------------|
| Generated income, constant 1977 prices in billions of zlotys ¹ | 1,506.7 | 1,701.4 | 194.7 |
| Total (gross) industrial production in billions of zlotys: | | | |
| a) Constant 1979 prices ² | 2,165 | 2,726.3 | 561.3 |
| b) Constant 1971 prices ³ | 1,735.2 | 2,173.2 | 438 |
| c) Constant prices ⁴ | 2,176.6 | 3,041.5 | 864.9 |
| Net Industrial production in billions of zlotys: | | | |
| a) Constant 1977 prices ⁵ | 732.2 | 861.8 | 129.6 |
| b) Current prices ⁶ | 781.3 | 981.9 | 200.6 |
| Coal consumption, million tons | | | |
| a) Total throughout country ⁷ | 135.9 | 160.5 | 24.6 |
| b) In country for nonmarket purposes ⁷ | 109.9 | 130.7 | 20.9 |
| c) In industry ⁸ | 99.7 | 122.7 | 23.0 |

In increase in 1975-1979 per 1-million ton increase in the consumption of coal amounted to the following:

- national income: 9.3 billion zlotys (nonmarket purposes), or 7.9 billion zlotys (total domestic consumption)
- net industrial production in constant 1977 prices: 5.63 billion zlotys
- gross (total) industrial production in constant 1979 prices: 24 billion zlotys, in constant 1979 prices: 19 billion zlotys.

Sources: 1-ROCZNIK STATYSTYCZNY 1980, GUS, p 68; 2-ROCZNIK STATYSTYCZNY PRZEMYSŁU 1981 [Statistical Annals of Industry 1981], GUS, p 68; 3-ROCZNIK STATYSTYCZNY PRZEMYSŁU 1980, GUS, p 70; 4-ROCZNIK STATYSTYCZNY PRZEMYSŁU 1981, GUS, p 91; 5-Ibidem, p 100; 6-Op cit, p 105; 7-ROCZNIK STATYSTYCZNY 1980, GUS, p 189; 8-ROCZNIK STATYSTYCZNY PRZEMYSŁU 1981, GUS, p 335.

Here I shall go back as I promised to the article of Minister Antosik, who proved (TRYBUNA LUDU, 3 Mar 82) that the coal-intensiveness of coal is declining. For this purpose he presented the indices for the growth rate of the gross production of industry (in constant prices) and the consumption of coal, electric power, and rolled products in 1975 and 1980 compared to 1970. In this way he obtained equally optimistic results, without justification, because there are two methodological errors underlying this computation. The first is to take, as the point of reference, the figures for total production, which increases all the more in proportion to the increase in materials consumption. Many years ago Soviet economist Prof V.V. Novozylov proved that the category of gross production cannot be used in cost-effectiveness, because it is the result of mixing input with output, the result with the outlay. The second

methodological error consists of using the year 1970 as the base year. Although the energy-intensiveness of industrial production (net) and income declined, beginning in 1976 it increased consistently.

A broader discussion of this problem should be the subject of separate deliberations. All I will say here is that I was inspired to take these computations made by Doc Dr Engineer Aleksander Szpilewicz of the Chief Inspectorate of Power Economy and came to the following conclusions: In 1981, in comparison to 1975, in relation to the size of net production, the excessive hard-coal consumption in industry amounted to about 20 million tons and 9 billion kilowatthours of electric power. The proof of this hypothesis and an attempt to explain the causes for such tremendous waste will be presented in the promised article.

The next issue which offended both Stefan Hatt and Minister Jan Antosik in the way I handled it was stocks of materials. Arguments are put forth that a large share of the increase in the value of stocks is the result of the increase in prices, that it is wrong to say that when there is a decline in production there should be a decline in stocks too. It is said that at the end of 1980 excessive stocks of materials amounted to "only" 33 billion zlotys (the word "only" is implied by the context). Minister Antosik wrote about the "paradox" of the growing stocks and said that it is "explainable" owing to the lack of production complementarity, imports, and a lot of other factors. There was also the accusation that I could not prove anything in this area and that the estimate I gave of a total of 160 billion zlotys of excessive stocks "had no justification."

Prof Dr Czeslaw Skowronek, director of the Central Office for Materials Management in Warsaw told me that after reading my article he estimated the improper reserve stock to be at least 200 billion zlotys, but nobody can be certain.

As for the sum of 33 billion which S. Hatt gives for excessive stock, I should like to point out that the setting of standards for stocks depends first of all on the enterprise itself. The great inflation of the standards is partly the result of a poor supply system, but I am not analyzing the causes now. I am only stating the facts. I have in front of me a list of several hundred enterprises with thousands of items of materials. The standards are usually 90-180 days, but there are plenty of them which are much greater. And so, for example, Dywylan rug factory "must" have a stock of dyes for 300 days' production, and the paper factory in Klucze has to have 360 days' worth of paper blankets. The same is true of the standards for stocks of most ordinary pipe and acid-resistant pipe. The stock of acid-resistant sheet in the Paper Industry Mechanical Plants in Krapkowice is to last 277 days (why exactly 277?), and the Ready-to-Wear Plants in Lodz "must" have a spare-parts stock to last 612 days. The Karkonos Paper Plants have set themselves up with stocks of perforated sheet metal to last no more and no less than 1080 days!

If the capitalists ran their enterprises on such standards, they would have gone bankrupt long ago. But in our country you cannot say that the stocks are excessive until they exceed the standard. In addition there are also erroneous stocks (that is, those which are not needed in a given plant at all). The improper stocks consist of the total of the too.

The Economic Department of the Polish National Bank is systematically conducting periodic analyses of the level of improper reserves, including imported ones. Control of the condition only of the latter at the end of last March in just four industrial ministries (excluding the food ministry) revealed stocks valued at 3.8 billion zlotys, including imports made after 1 January 1981 of 1.8 billion zlotys. The results were sent to the heads of the appropriate ministries, but in only two ministries, mining and power, and chemical and light industry were these findings taken seriously. On the other hand, in metallurgy and engineering industry, and in the timber industry the stocks continued to increase. In all four ministries, according to the control run at the end of last October, excessive stocks from import sources increased by a further 610 million zlotys, while this increase was 815 million zlotys in the metallurgy and engineering industry ministry and 19 million in the timber industry ministry.

During the first 10 months of 1981 about 160 million foreign exchange zlotys was spent on importing excessive stocks, including 26 million dollars' worth from the capitalist countries. To this should be added a couple million more for unnecessary stock. The "surge period" for excessive stocks is even defined in months. In most cases it ranges from 20 to 40 months, but there were also items for which the period was 100 months, and this phenomenon was not rare.

In this situation, what does it mean to say that the management of stocks is not worse?

I am omitting the whole dispute over the sort of prices by which the increase in stocks should be computed. What both of my opponents ~~pred~~ remember is that the absolute size (if the stocks are technologically justified) is not so important as the ratio of stocks to production value. I can prove that if I were to count in constant prices both stocks and the decline in production value, the imbalance would be still greater than the 80 billion zlotys I estimated, the amount being called into question.

I still have a lot to write, for example, something on the subject of what S. Hatt calls my retarded awareness of issues of the economic reform. If that is what he thinks, good for him, but I have to bring this to a close, because the chief of TRYBUNA LUDU will not print a single page more of my typescript. Nor can I publish in the paper whole lists from the statistical annals, Polish and foreign. But I recommend a look at them to compare the ratios of the rise in stocks and the rise in national income in Poland and in other countries. It makes very interesting reading.

In closing I should like to make one more comment. I did not think that the articles in the "Economy in the Crisis Trap" would take on so universally. On the other hand, I hoped that they would be taken in a way corresponding to the requirements of our dramatic economic situation, but it turned out that in certain central economic spheres these articles created defensive reactions more than anything else. Those of them which were publicly expressed appeared in attempts to show that my analysis of the situation was an ordinary fabrication, because there are no good reasons for remarks critical of the management of materials or the implementation of the anticrisis program. I do not think that that is the way out of the crisis.

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METALLURGY MINISTRY PRODUCTION, INVESTMENT PLANS FOR 1982

Bucharest ROMANIA LIBERA in Romanian 1 Feb 82 pp 1, 5

[Interview with Gheorghe Gheorghiu deputy minister of the metallurgical industry by Tudor Gheorghiu]

[Text] Improved types of steel to increase the metal supply of the national economy. Large increases in advanced-processing products. The largest metallurgical coke installation in the country has begun production in Galati. Focsani, a metallurgical center.

The 1982 fiscal year began under good conditions in all the metallurgical centers of the country. This is the natural consequence of timely and responsible preparations made to enter the second year of the five-year plan at a higher level, in this branch which is of vital importance to the national economy.

In order to acquaint our readers with the continuing actions in this domain, we spoke with Eng Gheorghe Gheorghiu, deputy minister of the metallurgical industry.

[Question] The more than 14 million tons of steel that must be produced during this year are a highly significant objective of our national economy. To what extent has this important quantitative task been matched by greater concern for improving the quality of metals and diversifying the product line?

[Answer] Today, we have a metallurgical industry which can successfully undertake increasingly complex tasks. The second year of the five-year plan faces our collectives with objectives of high responsibility. Foremost for a significantly higher steel production, is the task of improving the metal quality, and of introducing new and superior types of steel which will improve the metal supply of the national economy.

Expressing their full approval of the orientations and tasks provided by the secretary general of the party, Nicolae Ceausescu, and accepting the severe criticism addressed to the leadership of the Ministry of the Metallurgical Industry, to centrals, and to units, metallurgical workers are devoting their major attention during this year, to fulfilling the physical production for all the metals stipulated in the plan, and to assuring the metal supply needed by the national economy in every sector, and especially in the machine construction sector.

By assigning priority to the primary sectors, the 1982 plan assures the further modernization of the processing industry structure. In metallurgy, significant increases are forecast for products with advanced processing. This means siliceous strips for the electromechanical industry, alloyed and high-speed steel, piping for oil and gas extraction, metal cords for tires, and so on.

[Question] How are these actions supported from a technical and technologic standpoint?

[Answer] Following a few outstanding achievements in this area during the first year of the five-year plan, when the value ratio of high quality products was 89 percent of the total production, the continued improvement in product quality for 1982 will be pursued particularly through strict respect for prescribed technologies, the promotion of higher efficiency technologies, product diversification, and the fabrication of products of very high purity and superior physical and mechanical specifications. Some of the new technologies in this category are: vacuum steel outgasing, steel remelting under slag and arc-melting in vacuum, expanded continuous steel casting for electromechanical strips, as well as modern manufacturing processes aimed at reducing importation and assuring the domestic fabrication of metallurgical products designed for nuclear power plants, chemical industry equipment, electronics, and so on.

[Question] In closing, could you tell us how this year's investment plan is correlated with the tasks aimed at improving metal quality and diversifying products with advanced processing?

[Answer] Before answering, I must indicate that some new facilities were brought into the metallurgical industry during the first year of the five-year plan; they fit within this concept. Foremost among these are the Galati capabilities (the 3700 cubic meters Furnace No 6, largest in the country, and Steel Plant No 3, which operates two converters and three installations for continuous steel casting); Calan (No 1 Coke Ovens, No 1 Agglomeration Plant, and the 1000 cubic meters Furnace No 3); Calarasi (electric steel plant with continuous casting and intermediate size mill); Republica Plants in Bucharest (department for steel alloy pipes, and new production facilities for drilling-poles and extruded pipes); as well as a number of modern mills at the new metallurgical sites of Zalau, Beclean, Tirgoviste, and so on.

Of this year's investments, 30 priority objectives have been selected; the start of their production will contribute directly and significantly to a higher proportion of high quality products, and thereby to a reduction of importations. Foremost among these new production capabilities, at the Galati Steel Combine, is the largest metallurgical coke ovens in the country--85,000 tons per year--whose first charge was built a few days ago. In connection with this recent industrial first, it should be added that it is the first facility of its type which uses furnace gas as energy resource for heating.

Equally important from the standpoints mentioned above, are other new production capabilities which are scheduled to be placed in operation during this year. First milling lines (intermediate cross sections and wire) at the Focsani Metallurgical Enterprise, the department for electromechanical sheets and small cross section mill

at the Tirgoviste Special Steel Combine. the continuous mill for seamless tubing at Zalau, new installations for steel evacuation at Cimpia Turzii and Hunedoara, treatment departments at Galati, new equipment for improving the quality of ball bearing steels and steels for electromechanical products, Furnace No 4 at Calan, and so on.

That is why a stronger order and discipline, as a daily act of the workers' conscience, must become the major trait of our activity in fulfilling the provisions for product variety and quality, in rigorously respecting maintenance and repair plans at steel installations, and in placing in operation the new metallurgical objectives on schedule.

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